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## FISCAL IMPACT REPORT

**SPONSOR** Garcia, M. P. **ORIGINAL DATE** 3-13-07 **LAST UPDATED** 3-14-07 **HM** 101  
**SHORT TITLE** PERA Info To Interim Committees **SB** \_\_\_\_\_  
**ANALYST** Aubel

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>	<b>3 Year Total Cost</b>	<b>Recurring or Non-Rec</b>	<b>Fund Affected</b>
	NFI					

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to HB 313/aHHGAC/aHJC/aSFC and SB 310/aSEC/a/SFC

Note: This FIR has been revised per response from PERA to incorporate salient comments and re-designate this memorial as having no fiscal impact.

### **SOURCES OF INFORMATION**

LFC Files

#### Response Received From

Public Employees Retirement Association (PERA)

### **SUMMARY**

#### Synopsis of Bill

House Memorial 101 requests the Public Employees Retirement Association provide detailed information regarding return-to-work employees to an interim legislative committee prior to November 30, 2007.

### **FISCAL IMPLICATIONS**

PERA maintains there is no significant fiscal impact related to compiling and disseminating the requested information.

### **SIGNIFICANT ISSUES**

PERA retirees were granted the ability to return to work while receiving their pensions by legislature in 2003. PERA related that since removing the earning limitation for retirees who

return to work with affiliated-public employers, PERA has experienced historically heavier end-of-year retirements. Currently, PERA has approximately 23 thousand retirees; the number of retirees who have returned to work represents approximately 10 percent to 12 percent of annuitant payroll.

House Memorial 101 directs the Public Employees Retirement Association to assemble information on the number of retirees who have returned to employment after retiring from PERA; the number of years of subsequent employment of these retirees; the number of these retirees subsequently employed by each department, agency and political subdivision; and the amount of salary and retirement pension these retirees have received. The memorial requires that the information be aggregated in such a way as to protect the privacy of the individual retirees.

At the onset of the retiree-return-to-work legislation, questions arose regarding how to measure the fiscal impact on state and local governments. PERA's actuary stated that PERA would need to compile at least two years of data before any assessment of the fiscal impact could be calculated. At the same time, PERA also was implementing a new computer pension administration system. The legacy computer system that was replaced did not have the capacity to track retirees returning to work. An additional complication occurred at the onset of the return-to-work program when PERA affiliates incorrectly reported retirees returning to work as exempt. PERA states these issues have now been addressed and PERA is able to provide the information requested in HM 101.

PERA affirms it has welcomed the opportunity to work with the Investments and Pensions Oversight Committee (IPOC) and is committed to providing whatever information is requested in the format designated by IPOC members or members of any other appropriate interim legislative committee requesting information or statistics on PERA retirees who have returned to work for PERA affiliates.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

Relates to HB 313 and SB 310, as amended, both which aim at restricting the RTW provisions for PERA retirees after July 1, 2007.

### **OTHER SUBSTANTIVE ISSUES**

A primary concern for RTW programs is the potential fiscal impact on fund solvency and whether the RTW programs encourage people to retire sooner than they would have otherwise. Any such program means that the pension is being paid out longer than actuarially anticipated. Sufficient numbers of retirees retiring earlier than anticipated could seriously impact fund solvency.

There has also been concern expressed that RTW programs have negatively impacted current employee morale and upward mobility, particularly for the state employee system. There can also be a public perception problem of a system which allows a member to receive both a salary and a pension.

Prior testimony does suggest that these retirees provide a valuable resource for state agencies and political subdivisions for "hard-to-hire" positions.

**TECHNICAL ISSUES**

According to PERA, the technical issues that originally delayed providing accurate information on PERA retirees who have returned to work for a PERA affiliate have been resolved. PERA is now able to generate the information requested in HM 101.

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

PERA will continue to track the number of retirees who have returned to employment, the number of years of subsequent employment by these retirees and the number of these retirees subsequently employed by each department, agency or political subdivision of the state.

The information will not be provided to the interested committees by November 30, 2007.

Upon request to PERA, legislators have the information needed to properly evaluate the retiree return-to-work program to enable them to make judicious decisions.

**POSSIBLE QUESTIONS**

1. How could the “employee morale” and “upward mobility” issues be validated?
2. How would replacing the 90-day “wait-out” period with a 12-month period impact the PERA RTW program?
3. How will any enactment of legislation revising PERA’s RTW affect this memorial?

MA/csd